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M&A Considerations for HR

Abstract

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Comments

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CORNELL HR REVIEW

M&A CONSIDERATIONS FOR HR

Lisa Chen

Chris Altizer, SVP of HR for Pfizer Diversified Businesses, visited Cornell earlier this month to discuss the important role HR can play in corporate mergers and acquisitions (M&A). Altizer discussed what M&A means for a company's culture and how HR needs to think about organizational design, talent management, and the art of due diligence when proceeding through such complex deals. He referenced an overall high M&A failure rate and attributed many of these shortcomings to poor HR strategy. He posed the following key human capital questions and stressed the need for HR to address these questions early in the M&A process:

Where are the gaps? The acquiring company needs to be able to identify the “must-haves” to be successful in the long-term. This means it needs to know where its weaknesses are and ensure the acquired company can fill these gaps. The acquiring company needs to understand what is being gained (the good and the bad) and remember to focus on these needs during the process.

What will become of the company culture? For many employees, a company's unique culture is what differentiates one job from a similar job at another company. Altizer insists that the decision on how to manage and possibly merge two cultures needs to be made up front. In the absence of a clear culture and message, there might be chaos. When dealing with mega-mergers, there is a greater mandate to harmonize through deliberate objectives, so as to ensure the strengths and core competencies of both large companies remain intact. Smaller acquisitions (or “bolt-ons”) can be either integrated quickly or left to evolve organically.

What will the new organizational design look like? In order to begin the process of an organizational redesign, HR needs to understand what the necessary outputs of the organization are and what capabilities the company has for producing such output. Firms should begin this process by identifying and focusing on key roles instead of jobs. Key roles are essential for driving the business and can be more clearly identified than particular jobs.

How does HR manage the talent of the new organization? Each M&A deal results in an acquisition or transfer of talent and knowledge. Before deciding what to do, HR needs to

know the kind of talent the current company has and the kind of the talent the acquired company has to offer. Depending on the deal, HR needs to quickly identify key human capital that will contribute to the company's long term needs and create either a "blanket approach" or a targeted incentive program to retain the necessary human capital. When there is a very specific and unique type of talent in an organization, the acquiring company needs to make a comprehensive and sustained approach to retaining that talent if they plan on fully benefiting from the M&A deal.

As companies grow, their strategies will almost inevitably involve M&A. Knowing this, HR professionals need to get involved early in the M&A process to ensure these key questions are being addressed. Performing an honest due diligence, identifying the true impact on human capital, and remaining focused on the real reasons why the deal happened in the first place are all essential to preventing another company from contributing to the ever-growing M&A failure rate. ✎

[Lisa Chen](#) is a student at Cornell University, pursuing an MILR at the School of Industrial & Labor Relations. She serves on the editorial board of the Cornell HR Review.